

HOUSE FILE _____
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SODERBERG, CLUTE, GREINER,
and ROBERTS

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing for the establishment by certain cities of sales
2 tax increment financing districts.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 1504YH 82
5 mg/sh/8

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1 1 Section 1. Section 423B.1, subsection 6, Code 2007, is
1 2 amended by adding the following new paragraph:
1 3 NEW PARAGRAPH. c. Notwithstanding any other provision in
1 4 this section, a change in use of the increased local sales and
1 5 services tax revenues for purposes of a sales tax increment
1 6 financing district pursuant to section 423B.10 does not
1 7 require an election.

1 8 Sec. 2. Section 423B.9, subsection 2, Code 2007, is
1 9 amended to read as follows:

1 10 2. An issuer of public bonds which is a recipient of
1 11 revenues from a local option sales and services tax imposed
1 12 pursuant to this chapter may issue bonds in anticipation of
1 13 the collection of one or more designated portions of the local
1 14 option sales and services tax and may pledge irrevocably an
1 15 amount of the revenue derived from the designated portions for
1 16 each of the years the bonds remain outstanding to the payment
1 17 of the bonds. Bonds may be issued ~~only~~ for one or more of the
1 18 purposes set forth on the ballot proposition concerning the
1 19 imposition of the local option sales and services tax or for
1 20 purposes of a sales tax increment financing district pursuant

1 21 to section 423B.10, except bonds shall not be issued which are
1 22 payable from that portion of tax revenues designated for
1 23 property tax relief. The bonds may be issued in accordance
1 24 with the procedures set forth in either subsection 3 or 4.

1 25 Sec. 3. NEW SECTION. 423B.10 SALES TAX INCREMENT
1 26 FINANCING DISTRICTS.

1 27 1. For purposes of this section, unless the context
1 28 otherwise requires:

1 29 a. "Base year" means the fiscal year during which the
1 30 designation by ordinance of a sales tax increment financing
1 31 district is made.

1 32 b. "District" means a sales tax increment financing
1 33 district established pursuant to subsection 2.

1 34 c. "Eligible city" means a city in which a local sales and
1 35 services tax imposed by the county applies or a city described
2 1 in section 423B.1, subsection 2, paragraph "a".

2 2 d. "Project" means an athletic, cultural, or entertainment
2 3 facility or complex in which the owners or operators make an
2 4 actual investment of at least five million dollars. "Project"
2 5 does not include any gaming establishment or facility and does
2 6 not include a retail mall or complex. However, this does not
2 7 preclude a retail specialty shop or business from being
2 8 included as part of a project.

2 9 e. "Retail establishment" means a business operated by a
2 10 retailer as defined in section 423.1.

2 11 2. An eligible city may by ordinance of the city council
2 12 establish a sales tax increment financing district for the
2 13 purpose of using the increased local sales and services tax
2 14 revenues received by it under this chapter which are
2 15 attributable to retail establishments in the district to repay
2 16 any loans, advances, indebtedness, or bonds used to assist in
2 17 the development, redevelopment, improvement, or rehabilitation

2 18 of a project located within such district. The increased
2 19 revenues to be used for the project shall be deposited into a
2 20 special fund to be established for the purpose of repaying the
2 21 loans, advances, indebtedness, or bonds.

2 22 3. a. To determine the revenue increase for purposes of
2 23 subsection 2, a base year revenue amount shall be calculated
2 24 by the department of revenue as follows:

2 25 (1) Determine the amount of local sales and services tax
2 26 revenue collected from retail establishments located in the
2 27 area comprising the district during the base year.

2 28 (2) Determine the dollar amount of the tax revenues
2 29 collected, as described in subparagraph (1), which is
2 30 distributed to the city during the base year. This is the
2 31 base year revenue amount.

2 32 b. A current year revenue amount is determined for each
2 33 fiscal year following the base year in the manner specified in
2 34 paragraph "a".

2 35 c. The excess of the amount determined in paragraph "b"
3 1 over the base year revenue amount determined in paragraph "a"
3 2 is the increase in the eligible city's revenues that are to be
3 3 deposited in the special fund established pursuant to
3 4 subsection 2. However, if any portion of these increased
3 5 revenues has been previously irrevocably pledged to pay bonds
3 6 issued pursuant to section 423B.9 for any purpose other than
3 7 the purpose of the district, such portion shall not be
3 8 deposited into the special fund.

3 9 4. An eligible city that has designated a sales tax
3 10 increment financing district as provided in subsection 2 may
3 11 apply to the department of economic development to receive a
3 12 portion of the amount of the state sales tax revenues
3 13 collected pursuant to chapter 423, subchapter II, during a
3 14 fiscal year from retail establishments located in such
3 15 district which is in excess of the amount of such revenues
3 16 collected by the state during the base year. The department
3 17 of economic development shall establish by rule criteria for
3 18 determining if it will enter into an agreement with an
3 19 eligible city. These criteria shall include but not be
3 20 limited to all of the following:

3 21 a. The project is not replacing an athletic, cultural, or
3 22 entertainment facility or complex located in another part of
3 23 the city.

3 24 b. The extent to which the project will bring out-of-state
3 25 residents to the city and the county.

3 26 c. The extent to which the project will have an adverse
3 27 effect on surrounding cities and counties.

3 28 d. The district is a well-defined compact area where the
3 29 majority of the commercial property contained in the district
3 30 is benefited by the project.

3 31 e. The total amount of investment to be made in the
3 32 project and the amounts to be provided by private investors,
3 33 the city, and the state.

3 34 f. The agreement shall be for a period not to exceed ten
3 35 fiscal years or for attainment of a specific dollar amount,
4 1 whichever occurs first.

4 2 5. The payment of any portion of the amount of state sales
4 3 tax revenues collected during a fiscal year under subsection 4
4 4 is contingent upon an appropriation by the general assembly
4 5 specifically for payment of such revenue increase, and any
4 6 agreement entered into between the department of economic
4 7 development and an eligible city shall contain a statement as
4 8 to this contingency.

4 9 6. All moneys received by an eligible city from state
4 10 sales tax revenue collections shall be deposited into the
4 11 special fund established pursuant to subsection 2.

4 12 7. For purposes of this section, the eligible city shall
4 13 assist the department of revenue in identifying retail
4 14 establishments in the district that are collecting the local
4 15 sales and services tax and state sales tax. This process
4 16 shall be ongoing until the district is dissolved.

4 17 Sec. 4. Section 423E.5, unnumbered paragraph 2, Code 2007,
4 18 is amended to read as follows:

4 19 A school district in which a local option sales tax for
4 20 school infrastructure purposes has been imposed shall be
4 21 authorized to enter into a chapter 28E agreement with one or
4 22 more cities or a county whose boundaries encompass all or a
4 23 part of the area of the school district. A city or cities
4 24 entering into a chapter 28E agreement shall be authorized to
4 25 expend its designated portion of the local option sales and
4 26 services tax revenues for any valid purpose permitted in this
4 27 chapter or authorized by the governing body of the city,
4 28 including the use of the revenues for purposes of a sales tax

4 29 increment financing district under section 423B.10. A county
4 30 entering into a chapter 28E agreement with a school district
4 31 in which a local option sales tax for school infrastructure
4 32 purposes has been imposed shall be authorized to expend its
4 33 designated portion of the local option sales and services tax
4 34 revenues to provide property tax relief within the boundaries
4 35 of the school district located in the county. A school
5 1 district where a local option sales and services tax is
5 2 imposed is also authorized to enter into a chapter 28E
5 3 agreement with another school district, a community college,
5 4 or an area education agency which is located partially or
5 5 entirely in or is contiguous to the county where the tax is
5 6 imposed. The school district or community college shall only
5 7 expend its designated portion of the local option sales and
5 8 services tax for infrastructure purposes. The area education
5 9 agency shall only expend its designated portion of the local
5 10 option school infrastructure sales tax for infrastructure and
5 11 maintenance purposes.

5 12 EXPLANATION

5 13 This bill authorizes a city with a local option sales and
5 14 services tax to establish by ordinance a sales tax increment
5 15 financing district for the purpose of dedicating and using the
5 16 increase in the local sales and services tax revenues it
5 17 receives from retail establishments in the district to pay the
5 18 loans, advances, indebtedness, and bonds used to assist in the
5 19 development, redevelopment, improvement, or rehabilitation of
5 20 an athletic, cultural, or entertainment facility or complex
5 21 project located within such district. Dedicating such
5 22 increased revenues does not require an election. The owners
5 23 or operators of the project must make an actual investment of
5 24 at least \$5 million and the project cannot include a gaming
5 25 establishment or facility or a retail mall or complex.

5 26 The bill also allows the city to enter into an agreement
5 27 with the department of economic development to receive
5 28 assistance for all or a portion of the increase in state sales
5 29 tax revenues collected by retail establishments in the
5 30 district. This state assistance is subject to appropriation
5 31 by the general assembly. The department would establish
5 32 criteria for entering into such an agreement, which criteria
5 33 would include the extent to which the project would bring in
5 34 nonresidents of the state and would affect surrounding
5 35 communities, the amount of private and public investment being
6 1 made, the compactness of the district, and the requirement
6 2 that the project is not replacing a similar facility or
6 3 complex in the city. The agreement would be for a period of
6 4 10 years or for a specified amount of state assistance,
6 5 whichever occurs first.

6 6 The bill provides that a city may use revenues that it may
6 7 receive from a local sales and services tax for school
6 8 infrastructure purposes for purposes of the city's sales tax
6 9 increment financing district.

6 10 The base year revenue amount for determining the increase
6 11 in tax revenues is the amount of tax revenues collected and
6 12 distributed to the city from retail establishments in the
6 13 district area during the fiscal year ending after the city has
6 14 established the district. However, any portion of that
6 15 increase which has previously been pledged for another purpose
6 16 is not considered part of the increase that may be used for
6 17 the purposes of the district.

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